

SECRET

Subcommittee on Security and Terrorism

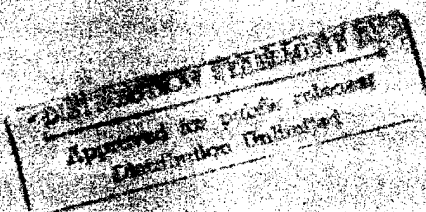
Committee on Intelligence

FOREIGN STRUCTURE

COST OF TWO ADDITIONAL

ACTIVE DIVISIONS COULD

BE AFFORDABLE



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-257865

September 12, 1994

The Honorable Ike Skelton
Chairman, Subcommittee on
Military Forces and Personnel
Committee on Armed Services
House of Representatives



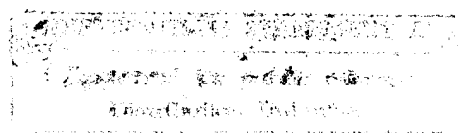
Dear Mr. Chairman:

In your letter of June 9, 1994, you requested that we determine the additional cost of maintaining a 12 division Army force for fiscal years 1995 through 1999 as compared with the cost of maintaining the Army's planned 10 division force. This report presents the results of our review. On July 18, 1994, we briefed you and your staff on the information presented in this report (see app. I).

BACKGROUND

As reflected in Army force structure plans, beginning in fiscal year 1995, the Army plans to draw down its active combat forces from 12 divisions to 10 divisions. The Department of Defense's (DOD) Bottom Up Review determined that the Army needed to retain 10 divisions, entirely composed of active forces, and over 5 divisions, entirely composed of reserve forces, to carry out the national defense strategy and meet national security requirements. The review further determined that National Guard enhanced readiness brigades would be the principal reserve component ground combat maneuver forces of the Army.

In its report on the National Defense Authorization Act for Fiscal Year 1995, the House Armed Services Committee stated that it was skeptical that the Army's planned force structure could successfully carry out the national defense strategy. According to the report, the Bottom Up Review "relies on highly optimistic assumptions to deal with the postulated threat and has a non-expandable Army structure beyond ten divisions, leaving little margin for error in planning."



The Committee recommended that the Army's principal fighting force comprise 12 divisions--8 divisions composed entirely of active brigades, 2 divisions that are rounded out with 1 National Guard brigade each, and 2 divisions that are rounded out with 2 National Guard brigades each. Roundout brigades are National Guard units designated to fill out active component divisions to a standard mobilization configuration of three brigades. The active division mix would remain as it is today--four light infantry and eight heavy mechanized or armored divisions.

Corps are the Army's largest tactical units. They contain all the combat and support capabilities required to sustain operations for a considerable period. Divisions perform major tactical operations for the corps and are the basic maneuver units. Maneuver brigades are the major combat units for all types of divisions. These brigades are supported by a division base, which includes units such as field artillery battalions, support battalions, and aviation units, and an echelon above division, which includes units such as an air defense artillery, military police, and medical units.

RESULTS IN BRIEF

Our analysis indicates that there could be significant additional costs associated with the proposed 12 division force. For fiscal years 1995-99, the increased cost could range from about \$1.2 billion to in excess of \$4.9 billion. Both of these estimates include operation and modernization costs. The \$4.9 billion estimate includes about \$3.7 billion in civilian salary costs.

Whether the Army would incur civilian salary costs would depend on how it staffed the division base and echelon above division components for the two additional divisions. One option would be for the Army to staff these components by transferring military personnel from noncombat military positions to positions in the division base and echelon above division and hiring civilians to fill the vacant noncombat positions. Under this option, the Army's additional payroll costs could total about \$3.7 billion, if these noncombat positions are filled on a one-for-one basis. To the extent that positions are not filled, the payroll costs would be less.

Another option would be for the Army to staff the division bases and echelons above division by drawing from other existing Army combat units. The Army would not incur any salary costs under this option. However, Army officials stated that it was undesirable because this would deplete the Army's force structure.

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It is possible that the Army could incur an additional \$4.9 billion over a notional 6-year time period since, according to Army officials, retaining two additional divisions precludes the Army from closing two division installations. Because it can take several years to close an installation, retaining the two installations might not be an additional cost until after the fiscal year 1995-99 period.

AGENCY COMMENTS

We received official comments from DOD and the agency concurred with the contents of this report. However, DOD did caution that attempts to extrapolate other cost options from this report would result in inaccurate conclusions. Appendix II contains DOD's comments.

SCOPE AND METHODOLOGY

We discussed these issues with cognizant Department of the Army, Army Forces Command, and Army Cost and Economic Analysis Center officials. We collaborated with Army officials to determine what assumptions and personnel totals would be appropriate for calculating costs. To determine the additional costs for maintaining two extra divisions, we obtained and analyzed Department of the Army cost and budget data. We also analyzed Forces Command data to determine the operating costs of maintaining two representative installations over a notional 6-year defense program. We did not independently validate this data. We projected these costs over the specified time period using applicable DOD inflation indexes.

Our review was conducted from May through July 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen, House and Senate Committees on Armed Services, Appropriations, and the Budget, and to the Secretaries of Defense and the Army. Copies will also be made available to others upon request.

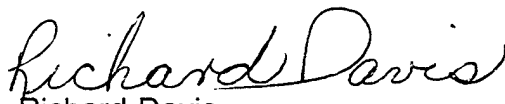
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The major contributors to this report are Robert Pelletier, Ann Borseth, Lee Purdy, and Leo Sullivan. If you or your staff have any questions about this report, please call me on (202) 512-3504.

Sincerely yours,


Richard Davis
Director, National Security
Analysis

**Briefing for the Chairman, Subcommittee on Military Forces
and Personnel, House Armed Services Committee**

FORCE STRUCTURE

**Cost of Two Additional Army
Divisions Could be Significant**

July 18, 1994

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Army's Drawdown Schedule for Combat Force Structure

<u>Division</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
Light	4	4	4	4	4
Heavy	8	6	6	6	6

<u>Personnel end strength (in thousands)</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
Active component	510	495	495	495	495
National Guard	400	386	371	367	367

This schedule illustrates the Army's plans to reach the 10 division force outlined in the Bottom Up Review.

Comparison of Combat Force Structure as Planned by the Army and Proposed by the House Committee on Armed Services

Division	Force as of Sept. 30, 1994	Potential Army actions	Committee proposal
#1 light	3 active bdes	3 active bdes	3 active bdes
#2 light	3 active bdes	3 active bdes	3 active bdes
#3 light	3 active bdes	3 active bdes	3 active bdes
#4 light	3 active bdes	3 active bdes	3 active bdes
#5 heavy	3 active bdes	3 active bdes	3 active bdes
#6 heavy	3 active bdes	3 active bdes	3 active bdes
#7 heavy	3 active bdes	3 active bdes	3 active bdes
#8 heavy	2 active bdes/ 1 roundout	3 active bdes	3 active bdes
#9 heavy	2 active bdes/ 1 roundout	3 active bdes	2 active bdes/ 1 roundout
#10 heavy	2 active bdes/ 1 roundout	3 active bdes	2 active bdes/ 1 roundout
#11 heavy	2 active bdes/ 1 roundout	inactivated	1 active bde/ 2 roundouts
#12 heavy	2 active bdes/ 1 roundout	inactivated	1 active bde/ 2 roundouts

As recommended in the Bottom Up Review, the Army will reduce its forces to 10 full, active divisions with four light and six heavy divisions. In contrast, the Committee proposes retaining 12 divisions, using National Guard brigades to round out 4 of the 12 divisions. The Committee proposal retains the same mix of light and heavy divisions as the current force.

Assumptions of Committee Proposal

- The following will remain unchanged from the Army's proposed force structure:
 - Active component and National Guard personnel end strengths
 - Four Corps headquarters and associated units
 - Forward deployed forces
 - Plans for Enhanced Readiness Brigades
 - 30 active brigades
 - Division headquarters (division base) composed primarily of active component personnel.
 - The 6 roundout brigades will be selected from the 15 National Guard enhanced readiness brigades.
 - Sufficient equipment will be available to support the two additional divisions.
-

**High-Range Cost of Committee's Proposal
(Fiscal Years 1995-99)**

Dollars in millions

Operation costs	\$1,036
Civilian salary costs	3,682
Modernization costs	<u>208</u>
Total	<u>\$4,926</u>

Note: Costs were calculated using DOD's inflation factors for the time period.

Operation Costs (Fiscal Years 1995-99)

Dollars in millions

Two division bases	\$697
Two echelons above division	<u>339</u>
Total	<u>\$1,036</u>

Note: Costs were calculated using DOD's inflation factors for the time period.

According to Army officials, two division bases and two echelons above division (EAD) would be needed to retain a 12 division force. The division base includes units such as field artillery battalions, support battalions, and aviation units. The EAD includes units such as air defense artillery, military police, and medical units.

Civilian Salary Costs (Fiscal Years 1995-99)

- The two division bases and two EADs require about 17,100 personnel (11,500 for division bases and 5,600 for the EADs).
 - To meet these requirements, the Army could reassign personnel from noncombat positions to positions in the division bases and EADs.
 - If the Army replaces all reassigned personnel one-for-one with civilians, fiscal years 1995-99 civilian payroll costs could total about \$3.7 billion.
 - To the extent that these positions are not filled with civilians, the payroll costs could be less.
-

Modernization Costs

- Army officials state that there would be a one-time cost to upgrade and modernize the equipment assigned to the two additional division bases and EADs. This cost could total about \$208 million.
 - The equipment to be modernized includes weapons and wheeled and tracked vehicles.
-

Low-Range Cost of Committee's Proposal (Fiscal Years 1995-99)

- The Committee's proposal could cost as little as \$1.2 billion, the total of operation costs and modernization costs, if
 - After transferring noncombat military personnel to the division bases and EADs, the Army does not fill any of the resulting vacant noncombat positions with civilians, or
 - Personnel for the division bases and EADs were drawn from other existing Army units.
-

Army officials stated that the second option was undesirable, since it would deplete the existing force structure.

Installation Costs

- According to Army officials, two additional divisions would require retaining two division installations that may otherwise be closed.
 - The cost of retaining these two division installations over a notional 6-year defense program could be about \$4.9 billion.
 - Because closing installations can take several years, the two installations would not necessarily be an additional cost until after the fiscal year 1995-99 time period.
-

Comments From the Department of Defense



PROGRAM ANALYSIS
AND EVALUATION

OFFICE OF THE SECRETARY OF DEFENSE
1800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-1800



26 AUG 1994

Mr. Frank C. Conahan,
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "Force Structure: Costs of Two Additional Army Divisions Could Be Significant," dated August 11, 1994 (GAO code 701042), OSD Case 9734. The Department concurs with the report.

The draft report presents a thorough and in-depth view of the potential cost for implementing this concept based on the stated assumptions. The Department understands that there will be a follow on effort to explore lower cost alternatives based on differing assumptions. Attempts to extrapolate other costs options from this report would result in inaccurate conclusions.

The DoD appreciates the opportunity to comment on the GAO draft report.

Sincerely,

for William J Lynn
Director

(701042)

